

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Richland Township	County Montcalm
Fiscal Year End March 31, 2006	Opinion Date May 19, 2006	Date Audit Report Submitted to Sate September 14, 2006	

We affirm that:

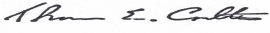
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ YES ☐ NO All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ YES ☒ NO There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ YES ☐ NO The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ YES ☐ NO The local unit has adopted a budget for all required funds.
 - ☒ YES ☐ NO A public hearing on the budget was held in accordance with State statute.
 - ☒ YES ☐ NO The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ YES ☐ NO The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ YES ☐ NO The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ YES ☐ NO The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ YES ☐ NO There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ YES ☐ NO The local unit is free of repeated comments from previous years.
 - ☒ YES ☐ NO The audit opinion is UNQUALIFIED.
 - ☒ YES ☐ NO The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ YES ☐ NO The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ YES ☐ NO To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo CPAs, P.C.		Telephone Number (989) 463-6108	
Street Address 7810 N. Alger Rd.		City Alma	State MI
Zip 48858			
Authorizing CPA Signature 	Printed Name Thomas E. Coulter	License Number 1612544	

Richland Township
Montcalm County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2006

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Richland Township
List of Elected and Appointed Officials
March 31, 2006

Township Board

Dennis Wright – Supervisor

Tom Wright – Treasurer

Susan Brantley – Clerk

Randy Brecht – Trustee

Ron Braman - Trustee

Independent Auditors' Report

To the Members of the Township Board
Richland Township
Vestaburg, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Richland Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Richland Township as of March 31, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richland Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

May 19, 2006
Alma, Michigan

Richland Township
Management's Discussion and Analysis
Year Ended March 31, 2006

Our discussion and analysis of Richland Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006.

Total net assets related to the Township's governmental activities are \$585,607. The amount that is unrestricted is \$409,118.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Richland Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Richland Township
Management's Discussion and Analysis
Year Ended March 31, 2006

Richland Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2006.

Table 1

	Governmental Activities 2006
	<hr/>
Current assets	\$ 419,638
Capital assets, net	<hr/> 176,489
Total Assets	<hr/> 596,127
Current liabilities	<hr/> 10,520
Total net assets	<hr/> \$ 585,607

Richland Township's net assets of governmental activities are \$585,607 , of which \$409,118 is unrestricted .

Richland Township
Management's Discussion and Analysis
Year Ended March 31, 2006

The following table shows, in a condensed format, the change in net assets as of the March 31, 2006.

Table 2

	<u>Governmental Activities</u>
Revenue	
Program revenue	
Charges for services	\$ 75,740
Operating grants and contributions	27,375
General revenue	
Property taxes	156,099
State-shared revenue	207,722
Unrestricted investment earnings	1,887
Gain on sale of capital assets	571
Miscellaneous	<u>9,005</u>
Total revenue	<u>478,399</u>
Program expenses	
General government	177,003
Public safety	111,814
Public works	118,147
Community and economic development	13,324
Recreation and culture	<u>94,048</u>
Total program expenses	<u>514,336</u>
Change in net assets	<u><u>\$ (35,937)</u></u>

Richland Township
Management's Discussion and Analysis
Year Ended March 31, 2006

Governmental Activities

Richland Township's total governmental activity revenues were \$478,399.

Governmental activity expenditures of \$514,336 were recorded for the year. This includes increases in street improvement projects and the replacement of sidewalks.

Richland Township's Funds

The fund financial statements provide detailed information about the most significant funds, not Richland Township as a whole. The Township Council creates funds to help manage money for specific purposes as well as show accountability for certain activities.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a decrease in fund balance of \$50,274 in 2006.

b) **Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c) **Permanent Fund**

The Permanent Fund accounts for perpetual cemetery resources and expenditures.

d) **Fiduciary Fund**

The Fiduciary Fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Richland Township
Management's Discussion and Analysis
Year Ended March 31, 2006**

General Fund Budgetary Highlights

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. The most significant changes in the current year were the addition of a sewer project study, improvements on streets and sidewalks in town, and an increase in legal fees due to the enforcement of the new zoning ordinance. Prudent budgeting and continued monitoring of all expenditures made these projects possible.

Capital Assets

At March 31, 2006, Richland Township has \$548,475 invested in a wide range of capital assets, including land, buildings, and machinery and equipment. The total amount of accumulated depreciation as of March 31, 2006 is \$371,986, of which \$176,489 remains as net capital assets at the end of the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The Township needs to continue to monitor its budget very closely. State revenue-sharing payments were decreased again this past year with the potential to decrease again due to State cutbacks and less sales tax receipts at the State level.

Despite these concerns, the Township will continue to operate as efficiently as possible in the next fiscal year.

Contacting Richland Townships Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Richland Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Township hall.

Richland Township
Statement of Net Assets
March 31, 2006

	<u>Primary Government</u> Governmental Activities
Assets	
Cash and cash equivalents	\$ 270,632
Receivables	
Taxes	53,671
Customers	845
Special assessments	44,165
Accrued interest and other	525
Due from other units of government	48,686
Prepaid items	1,114
Capital assets, net	<u>176,489</u>
 Total assets	 <u>596,127</u>
 Liabilities	
Accounts payable	2,736
Accrued and other liabilities	<u>7,784</u>
 Total liabilities	 <u>10,520</u>
 Net Assets	
Invested in capital assets	176,489
Unrestricted	<u>409,118</u>
 Total net assets	 <u>\$ 585,607</u>

See Accompanying Notes to Financial Statements

Richland Township
Statement of Activities
For the Year Ended March 31, 2006

		Program Revenues			Net (Expense) Revenue and
					Changes in Net Assets
			Operating	Capital	Primary Government
	Expenses	Charges for	Grants and	Grants and	Governmental
		Services	Contributions	Contributions	Activities
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 177,003	\$ 56,182	\$ -	\$ -	\$ (120,821)
Public safety	111,814	15,000	-	-	(96,814)
Public works	118,147	-	-	-	(118,147)
Community and economic development	13,324	-	-	-	(13,324)
Recreation and culture	94,048	4,558	27,375	-	(62,115)
Total primary government	<u>\$ 514,336</u>	<u>\$ 75,740</u>	<u>\$ 27,375</u>	<u>\$ -</u>	<u>(411,221)</u>
General revenues					
Property taxes					156,099
State shared revenue					207,722
Unrestricted investment earnings					1,887
Gain on sale of capital assets					571
Miscellaneous					9,005
Total general revenues and transfers					<u>375,284</u>
Change in net assets					(35,937)
Net assets - beginning of year					<u>621,544</u>
Net assets - end of year					<u>\$ 585,607</u>

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Balance Sheet
March 31, 2006

		<u>Special Revenue Funds</u>		<u>Nonmajor Governmental Fund</u>	
	<u>General</u>	<u>Fire Fund</u>	<u>Library Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 162,710	\$ 31,538	\$ 61,095	\$ 15,289	\$ 270,632
Receivables					
Taxes	8,742	6,033	38,896	-	53,671
Customers	-	-	845	-	845
Special assessments	44,165	-	-	-	44,165
Accrued interest and other	525	-	-	-	525
Due from other units of government	48,686	-	-	-	48,686
Prepaid items	-	-	1,114	-	1,114
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 264,828</u>	<u>\$ 37,571</u>	<u>\$ 101,950</u>	<u>\$ 15,289</u>	<u>\$ 419,638</u>

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Balance Sheet
March 31, 2006

		Special Revenue Funds		Nonmajor Governmental Fund	
	General	Fire Fund	Library Fund	Perpetual Care Fund	Total Governmental Funds
Liabilities					
Accounts payable	\$ 2,736	\$ -	\$ -	\$ -	\$ 2,736
Accrued and other liabilities	163	3,197	4,424	-	7,784
Deferred revenue	<u>52,489</u>	<u>21,033</u>	<u>38,896</u>	<u>-</u>	<u>112,418</u>
Total liabilities	<u>55,388</u>	<u>24,230</u>	<u>43,320</u>	<u>-</u>	<u>122,938</u>
Fund Balances					
Unreserved, reported in:					
General fund	209,440	-	-	-	209,440
Special revenue funds	-	13,341	58,630	-	71,971
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,289</u>	<u>15,289</u>
Total fund balances	<u>209,440</u>	<u>13,341</u>	<u>58,630</u>	<u>15,289</u>	<u>296,700</u>
Total liabilities and fund balances	<u>\$ 264,828</u>	<u>\$ 37,571</u>	<u>\$ 101,950</u>	<u>\$ 15,289</u>	<u>\$ 419,638</u>

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2006

Total fund balances for governmental funds	\$ 296,700
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	176,489
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>112,418</u>
Net assets of governmental activities	<u><u>\$ 585,607</u></u>

Richland Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2006

		Special Revenue Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General	Fire Fund	Library Fund	Perpetual Care Fund	
Revenues					
Taxes	\$ 63,611	\$ 39,235	\$ -	\$ -	\$ 102,846
Licenses and permits	2,315	-	-	-	2,315
State revenue sharing	206,085	-	1,637	-	207,722
Local contributions	-	-	27,375	-	27,375
Charges for services	8,945	15,000	-	-	23,945
Fines and forfeitures	-	-	442	-	442
Interest income	1,231	192	19	445	1,887
Rental income	1,450	-	4,558	-	6,008
Perpetual care	-	-	-	300	300
Other revenue	4,289	1,721	2,202	351	8,563
	<u>287,926</u>	<u>56,148</u>	<u>36,233</u>	<u>1,096</u>	<u>381,403</u>
Total revenues					

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2006

		Special Revenue Funds		Nonmajor Governmental Fund	Total Governmental Funds
	General	Fire Fund	Library Fund	Perpetual Care Fund	
Expenditures					
Current					
General government	163,905	-	-	-	163,905
Public safety	31,825	93,091	-	-	124,916
Public works	118,147	-	-	-	118,147
Community and economic development	13,324	-	-	-	13,324
Recreation and culture	5,223	-	88,825	-	94,048
Other functions	10,221	-	-	-	10,221
Total expenditures	342,645	93,091	88,825	-	524,561
Excess (deficiency) of revenues over expenditures	(54,719)	(36,943)	(52,592)	1,096	(143,158)
Other financing sources (uses)					
Transfers in	445	-	-	-	445
Transfers out	-	-	-	(445)	(445)
Sale of fixed assets	4,000	-	-	-	4,000
Total other financing sources	4,445	-	-	(445)	4,000
Net change in fund balance	(50,274)	(36,943)	(52,592)	651	(139,158)
Fund balance - beginning of year	259,714	50,284	111,222	14,638	435,858
Fund balance - end of year	\$ 209,440	\$ 13,341	\$ 58,630	\$ 15,289	\$ 296,700

See Accompanying Notes to Financial Statements

Richland Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - Total governmental funds \$ (139,158)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(13,952)
Capital outlay	24,177
Sale of capital assets	(3,429)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue
in the funds.

Special assessments	43,172
Property taxes	<u>53,253</u>

Change in net assets of governmental activities **\$ (35,937)**

Richland Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2006

	Agency Funds
Assets	
Cash and cash equivalents	\$ <u>1,298</u>
Liabilities	
Due to other units of government	\$ <u>1,298</u>

See Accompanying Notes to Financial Statements

Richland Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Richland Township is governed by an elected five-member Board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Richland Township
Notes to Financial Statements
March 31, 2006

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for property taxes and other revenue that is restricted for providing fire protection.

The Library Fund accounts for the state aid and local contributions that are restricted for providing library operations.

Additionally, the government reports the following:

The Permanent Fund accounts for perpetual cemetery resources and expenditures.

The Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$46,742,704, on which ad valorem taxes consisted of 0.8704 mills for operating purposes. This resulted in \$40,936 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Richland Township
Notes to Financial Statements
March 31, 2006

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Richland Township
Notes to Financial Statements
March 31, 2006

Excess of expenditures over appropriations

	Total	Amount	Unfavorable
<u>Fund</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Variance</u>
General			
Community and economic development	\$ 8,606	\$ 13,324	\$ 4,718
Recreation and culture	-	5,223	5,223
Fire			
Public safety	93,000	93,091	91

DEPOSITS AND INVESTMENTS

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash <u>Equivalents</u>
Governmental activities	\$ 270,632
Fiduciary funds	<u>1,298</u>
Total	<u>\$ 271,930</u>

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is

allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has no investment policy that would further limit its investment choices. As of March 31, 2006, the Township has no investments.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$183,470 was exposed to custodial credit risk because it was uninsured and uncollateralized .

Richland Township
Notes to Financial Statements
March 31, 2006

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	\$ 44,165
Property taxes	53,253
Other revenue	<u>15,000</u>
	<u><u>\$ 112,418</u></u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Capital assets being depreciated				
Buildings, additions and improvements	176,212	-	-	176,212
Machinery and equipment	57,016	24,177	4,000	77,193
Vehicles	<u>286,070</u>	<u>-</u>	<u>-</u>	<u>286,070</u>
Total capital assets being depreciated	<u>519,298</u>	<u>24,177</u>	<u>4,000</u>	<u>539,475</u>
Less accumulated depreciation for				
Buildings, additions and improvements	67,091	4,355	-	71,446
Machinery and equipment	5,444	9,597	571	14,470
Vehicles	<u>286,070</u>	<u>-</u>	<u>-</u>	<u>286,070</u>
Total accumulated depreciation	<u>358,605</u>	<u>13,952</u>	<u>571</u>	<u>371,986</u>
Net capital assets being depreciated	<u>160,693</u>	<u>10,225</u>	<u>3,429</u>	<u>167,489</u>
Governmental activities capital assets, net	<u>\$ 169,693</u>	<u>\$ 10,225</u>	<u>\$ 3,429</u>	<u>\$ 176,489</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 8,157
Public safety	<u>5,795</u>
Total primary government	<u>\$ 13,952</u>

Richland Township
Notes to Financial Statements
March 31, 2006

NOTE 6 - INTERFUND TRANSFERS

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Perpetual Care Fund	General Fund	\$ <u>445</u>

This transfer was done to move interest earned on Perpetual Care accounts to the General Fund.

NOTE 7 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined contribution pension plan

The Township has established a defined contribution pension plan covering all elected officials and fire fighters. Each employee must contribute 7.5% of his or her annual compensation to the pension plan. The Township is required to contribute an amount equal to 7.5% of the employee's annual compensation. Contributions made by both the employee and employer vest immediately. The total cost to the Township for the year ended was \$6,019.

NOTE 9 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 40,000	\$ 40,000	\$ 35,480	\$ (4,520)
Special assessments	-	-	10,560	10,560
Administration fee	13,900	13,900	17,571	3,671
Licenses and permits	2,000	2,000	2,315	315
State revenue sharing	208,000	208,000	206,085	(1,915)
Charges for services	9,400	9,400	8,945	(455)
Interest income	1,500	1,500	1,231	(269)
Rental income	1,500	1,500	1,450	(50)
Other revenue	700	700	4,289	3,589
Sale of fixed assets	-	-	4,000	4,000
Transfer in	330	330	445	115
Total revenues	<u>277,330</u>	<u>277,330</u>	<u>292,371</u>	<u>15,041</u>
Expenditures				
General government				
Township board	18,161	21,262	30,255	8,993
Supervisor	8,972	8,972	8,400	(572)
Clerk	13,139	13,189	12,350	(839)
Audit	2,000	2,850	2,850	-
Board of review	646	646	640	(6)
Treasurer	13,285	14,300	12,802	(1,498)
Assessor	25,683	25,683	20,815	(4,868)
Buildings and grounds	33,341	36,746	35,101	(1,645)
Attorney	1,000	2,500	420	(2,080)
Cemetery	41,237	43,037	40,272	(2,765)
Total general government	<u>157,464</u>	<u>169,185</u>	<u>163,905</u>	<u>(5,280)</u>

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police	31,000	32,000	31,825	(175)
Public works				
Department of public works	2,800	12,800	11,962	(838)
Highways, streets and bridges	103,000	103,000	102,673	(327)
Street lighting	3,600	3,600	3,512	(88)
Total public works	109,400	119,400	118,147	(1,253)
Community and economic development				
Zoning	8,606	8,606	13,324	4,718
Recreation and culture				
Parks and recreation	-	-	5,223	5,223
Other functions				
Insurance and bonds	11,000	11,000	10,221	(779)
Total expenditures	317,470	340,191	342,645	2,454
Deficiency of revenues over expenditures	(40,140)	(62,861)	(50,274)	12,587
Fund balance - beginning of year	259,714	259,714	259,714	-
Fund balance - end of year	\$ 219,574	\$ 196,853	\$ 209,440	\$ 12,587

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 44,000	\$ 44,000	\$ 39,235	\$ (4,765)
Charges for services	15,000	15,000	15,000	-
Interest income	150	150	192	42
Other revenue	1,000	1,000	1,721	721
Total revenues	60,150	60,150	56,148	(4,002)
Expenditures				
Current				
Public safety	84,100	93,000	93,091	91
Deficiency of revenues over expenditures	(23,950)	(32,850)	(36,943)	(4,093)
Fund balance - beginning of year	50,284	50,284	50,284	-
Fund balance - end of year	\$ 26,334	\$ 17,434	\$ 13,341	\$ (4,093)

See Accompanying Notes to Financial Statements

Richland Township
Required Supplemental Information
Budgetary Comparison Schedule
Library Fund
For the Year Ended March 31, 2006

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 35,000	\$ 35,000	\$ -	\$ (35,000)
State revenue sharing	4,000	4,000	1,637	(2,363)
Local contributions	22,000	22,000	27,375	5,375
Fines and forfeitures	1,000	1,000	442	(558)
Interest income	50	50	19	(31)
Rental income	4,000	4,000	4,558	558
Other revenue	1,000	1,000	2,202	1,202
	<u>67,050</u>	<u>67,050</u>	<u>36,233</u>	<u>(30,817)</u>
Expenditures				
Current				
Recreation and culture	<u>90,860</u>	<u>90,860</u>	<u>88,825</u>	<u>(2,035)</u>
Deficiency of revenues over expenditures	(23,810)	(23,810)	(52,592)	(28,782)
Fund balance - beginning of year	<u>111,222</u>	<u>111,222</u>	<u>111,222</u>	<u>-</u>
Fund balance - end of year	<u>\$ 87,412</u>	<u>\$ 87,412</u>	<u>\$ 58,630</u>	<u>\$ (28,782)</u>

See Accompanying Notes to Financial Statements



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May 19, 2006

To the Township Board
Richland Township
Vestaburg, Michigan

In planning and performing our audit of the financial statements of Richland Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding this matter.

SEGREGATION OF DUTIES FOR THE TAX ACCOUNT

During the inquiries with township employees regarding internal control procedures for cash disbursements, it was noted that the Treasurer conducts all activity in the Tax Account including writing all checks, signing and mailing the checks, and doing the bank reconciliation. We suggest that the Clerk sign and mail the tax account checks along with the Clerk or a board member receiving and reviewing the unopened bank statements before passing them along to the Treasurer for reconciliation. This will allow for more of a separation of duties in the tax account.

CREDIT CARD PURCHASES

During the inquiry with township employees regarding internal control procedures for credit card use, it was noted that employees are required to supply receipts for purchases made with the credit card to the clerk before payment can be made on the credit card bill. During our internal control testing we noted that some of the credit card transactions did not have supporting receipts attached. For the future, we recommend that all credit card transactions have supporting documentation attached to them and that the clerk only pay the bill once all receipts have been received.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township personnel, and we will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the Township and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

This report is intended solely for the information and use of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Yeo & Yeo, P.C.

YEO & YEO, P.C.
CPAs and Business Consultants